

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Mexico

### Exporter Guide

### Annual Report 2014

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**Report Highlights:**

Exports of agricultural and related products to Mexico reached USD \$18.90 billion in 2013, a reduction in 4.2% compared to 2012. Mexico is still one of the largest and fastest growing markets for U.S. agricultural products. With the geographical advantage of a long land border and a FTA that has virtually eliminated duties on all agricultural and food products, Mexico is a natural market for U.S. exporters. This report updates statistics and references from last year's version.

**Post:**

Mexico City ATO

**Author Defined:**

*This report is for informational purposes only to assist exporters of U.S. food and agricultural products in their sales and promotional efforts in Mexico. U.S. exporters should take normal commercial precautions when dealing with any potential business contact, including checking references.*

**SECTION I. MARKET OVERVIEW**

Mexico continues to be a growth market representing one of the best opportunities in the world for U.S. products. Overall, Mexico's top trade partner is by far the United States, which imports 79 percent of all Mexican exports and provides Mexico with 50 percent of its total imports. Since NAFTA was implemented in 1994, total U.S. exports to Mexico have increased 375 percent, while Mexican exports to the United States have grown 559 percent.

Similarly, Mexico has become one of the largest and fastest growing markets for U.S. agricultural products. U.S. agricultural, fish, and forestry exports have tripled since the onset of NAFTA in 1994. Furthermore, U.S. agricultural and food exports to Mexico have been climbing at an average rate of more than 10 percent per year. Since 2003, duties have been eliminated on virtually all consumer oriented food products.

Total U.S. agricultural, fishery, and forestry exports to Mexico for CY 2013 totaled \$18.90 billion, a reduction of 4.2% from 2012, but still well above of the levels reported in 2009-2010 after the global recession. Meanwhile, imports from Mexico keep increasing an average of 10 percent every year, reaching a record high \$18.45 billion in 2013. Two-way trade in agricultural, forestry, and fisheries products is now over \$37 billion.

In 2013, the United States' major agricultural exports to Mexico were: soybeans, soybean meal, and soybean oil (\$2.41 billion), red meats (\$2.15 billion), coarse grains (\$2.03 billion), dairy products (\$1.43 billion), poultry and egg products (\$1.37 billion), wheat (\$1.12 billion), and fresh fruits and vegetables (\$760 million). Meanwhile, Mexico's top agricultural exports were: fresh fruits and vegetables (\$7.82 billion), wine & beer (\$1.92 billion), snack foods (\$1.54 billion), and processed fruits and vegetables (\$1.20 billion); these four categories account for 67 percent of the value of total Mexican agricultural exports to the United States.

The United States has a geographic competitive advantage when it comes to Mexico. Sharing a 2,000 mile-long border with over 45 border crossings, the United States is the natural supplier to the market across its southern border. In addition, the close proximity and economic development of the region has made tourism and restaurants a dynamic sector for U.S. exports. Most international tourists visiting Mexico are North Americans and, to a large degree, like to consume products they are used to buying at home.

Mexico has managed to keep a stable economy and has recovered its positive rates of growth, reporting a GDP growth of 1.2 percent in 2013. Although still shaken from the 2009 world economic crisis, Mexican consumers have regained a good proportion of their disposable income and have begun to increase their consumption of food and beverages.

Demographically, Mexico is experiencing a population growth of 1.2 percent, adding to the current population of almost 120 million; 65 percent of the population is under the age of 35 and 78 percent of the population resides in urban areas. These consumers are more familiar, and thus oriented towards U.S. products; therefore, these demographic changes in Mexico bode well for increasing U.S. exports.

Women continue to join the workforce in larger numbers, which leads to increased demand for consumer-ready food products. Urban women in particular are shifting to healthier lifestyles for themselves and their children and are thus shifting their food consumption patterns to a more U.S./European style. These trends are also impacting food distribution and food consumption in restaurants and hotels. This definitely helps sales of imported and usually higher value products.

### Advantages and Challenges for U.S. Exporters in Mexico

Advantages	Challenges
<ul style="list-style-type: none"> <li>• The United States and Mexico are highly integrated economies and Mexicans are familiar with U.S. business practices.</li> <li>• The proximity of Mexico to the United States, cross-cultural awareness and strong bilateral relationships throughout the public and private sectors facilitates trade.</li> <li>• Import procedures are becoming more standardized.</li> <li>• Extensive presence of U.S. Cooperators and industry representatives facilitates trade opportunities to be detected.</li> <li>• Mexican consumers recognize U.S. brands and labels and associate them with high, consistent quality and value.</li> <li>• The Mexican peso continues to be relatively stable in its relation to the U.S. dollar, making unexpected price fluctuations less likely.</li> <li>• Major retailers are developing increasingly sophisticated distribution systems, which will provide more space and better cold chain technology for high value imports.</li> <li>• Continued growth in almost all of the processed food industry in Mexico, will increase the need for inputs.</li> <li>• Greater knowledge about organic products is opening new product opportunities at the retail level; likewise, increased awareness of obesity issues is creating greater demand for healthy products.</li> </ul>	<ul style="list-style-type: none"> <li>• Mexican consumers are price sensitive; imported products in general are higher in price.</li> <li>• Transportation and distribution methods inside Mexico are undeveloped in many regions.</li> <li>• Phytosanitary and technical barriers and labeling requirements can cause border crossing problems and delays as Mexican import regulations can change rapidly and without notice.</li> <li>• Mexico is the country with the most free trade agreements in Latin America, opening the door to many third-country competitors.</li> <li>• Mexican retailers are demanding more often that products be delivered locally with local servicing and attention.</li> <li>• Lower end, smaller supermarkets and convenience stores are the fastest growing segments in retail, which are not primary locations for high-end U.S. products.</li> <li>• Local producers and food processors are rising to the challenge of producing quality goods with an increase in variety, learning, and adapting to growing demands.</li> <li>• Mexico exports large volumes of organic produce, offering direct competition to American organic producers.</li> <li>• U.S. businesses sometimes are not familiar with the Mexican business culture.</li> <li>• The recent implementation of a special 8% tax on "junk-food" might affect some imported goods' demand.</li> </ul>

## SECTION II. EXPORTER BUSINESS TIPS

### **Business Culture**

Personal relationships are essential to Mexican business relationships. Mexicans attach great importance to courtesy in all business endeavors. A warm handshake combined with conversation about the person's well-being, family, or other similar topics prior to launching into any conversation related to business is considered a common courtesy. The concept that "time is money" should be left at the border and, though Mexican businesses are also conscious of the bottom line, courtesy and diplomacy are more important values to most Mexicans than getting immediately "down to business".

Personally visit your potential clients in Mexico. If a current or potential Mexican client visits you in the United States, you are expected to wine and dine him. You will be accorded similar treatment when visiting Mexico.

### **Market trends**

1. Traditional retail sales and marketing chains are changing rapidly.
2. Mexican consumers now are searching for more convenient food and foodservice alternatives.
3. The addition of women in the labor force adds further to disposable household income to allow for the purchase of products previously perceived as too expensive.
4. Mexicans are loyal to brands and buy them even if the price is slightly higher.
5. Supermarkets are more and more interested in buying directly from suppliers, bypassing traditional distributors.
6. Retail expansion in both rural and small communities is creating new markets for consumer products, restaurants and entertainment services are following.
7. New legislation prohibiting the sale of unhealthy food in public schools (affecting food manufacturers/processors) might have an indirect effect on imports.
8. More young professionals and college students are driving an increase in the sale of products like beer and snacks and consumption in fast-food and dining-out establishments.
9. Rise in urbanization is pushing up sales of packaged food and ready-to-eat meals, and creating new markets for catering and fast-food services.
10. Food processors will increase their supply of health and wellness packaged foods, such as cereals, processed fruits and vegetables and yoghurt.
11. Safer packaging options to allow children to handle products on their own, smaller packaging options geared towards younger consumers as well as less affluent consumers, in prepared or ready-to-eat meal substitutes and products with easy preparation, such as microwaveable products.
12. Mexicans indulge themselves and usually grant themselves affordable goods on special occasions.

### **Entering the Mexican Market**

U.S. exporters should consider contacting local distributors/importers as an important early step in their efforts to establish themselves in the Mexican market. A good distributor should promote sales and make sure that the imported products are available at points of sale. It is essential to maintain close contact with your representative, especially regarding changes in import procedures and documentation.

### **Recommendations**

- Carry out market research, not only in terms of typical market research, but also in finding appropriate business contacts and thoroughly reviewing Mexican import regulations in order to successfully seize market opportunities and overcome market challenges.

- Participate in and/or attend Mexican trade shows, particularly U.S. pavilions organized at selected shows. A show can serve as a way to contact local distributors/sales agents, buyers and businessmen, and to become familiar with local competition. In the case of new-to-market companies, be prepared to provide support for in-store and media promotions to familiarize consumers with your products. Another option is state/regional trade missions.
- If no shows are of interest plan a visit to talk to buyers, retailers, distributors and other players in order to prepare a more effective entry strategy.
- Investigate if you will be able to acclimatize your product to local preferences, if required; prepare product information/promotional material in Spanish and assign a specific budget to promote your product locally.
- Carry out background checks before entering into contractual agreements with potential importers.

Information on import regulations for exporting to the Mexican market are detailed in our annual Food and Agricultural Import Regulations and Standards Report; please review the latest edition, available at our Global Agricultural Information Network: <http://gain.fas.usda.gov/Pages/Default.aspx>

### SECTION III. MARKET SECTOR STRUCTURE AND TRENDS.

#### **A. Retail Sector.**

Ever since the signing of the North American Free Trade Agreement (NAFTA) in 1994, retail trade has become more diversified and the quality of merchandise offered has improved in all types of formats. Foreign players, especially from the United States, have entered the Mexican market with different store formats, pushing Mexican retailers to modernize and expand their facilities. The main urban cities are well covered by several supermarket chains and now the strategy is to move out to smaller cities throughout the country and also to target specific, localized, high-end segments.

According to the Mexican Association of Nationwide Retailers ([ANTAD](#)), there are 35 supermarket chains, with 5,184 stores throughout the country. Still, nearly 50 percent of the retail market is covered by informal establishments, such as mobile street vendors and open public markets, which traditionally distribute local, domestic products. ANTAD also reports that retail sales keep a steady growth pace of around 5-6 percent per year.

For a more specific and thorough analysis of the Mexican retail sector, please review our latest GAIN Retail Food Sector Report, available at our Global Agricultural Information Network: <http://gain.fas.usda.gov/Pages/Default.aspx>

#### **B. Hotel, Restaurant, Institutional (HRI) Sector**

Based on statistics published by the National Institute of Geography & Statistics ([INEGI](#)), Mexico has over 20,000 businesses registered as hotels, motels and other lodging facilities and more than 428,000 registered as restaurants, caterers, nightclubs, bars and other food preparation services.

U.S. suppliers continue to enjoy favorable market conditions as American restaurants and hotel chains expand operations in Mexico. U.S. products dominate imports with the main competition coming from local firms; of all food products consumed in hotels and restaurants, approximately 15% are imported. Independent distributors continue to be the main suppliers for the HRI sector; however, they have been experiencing greater competition from large club stores, which have been aggressively pursuing their share of this market, especially in the resort areas.

We have published specific reports that make a more complete examination of the Mexican HRI sector in some cases, for specific subsectors like restaurants or hotels; please review our collection of HRI Food Service Sector Reports, available at the Global Agricultural Information Network: <http://gain.fas.usda.gov/Pages/Default.aspx>

### C. Food Processing Sector.

In Mexico, according to the National Institute of Geography and Statistics ([INEGI](#)), there are over 170,000 registered companies under the industry classification for food and beverage manufacturing/processing. Mexico has a relatively strong food processing industry, growing at a rate of almost 4 percent, and with a market value of almost US\$ 135 billion. Leading Mexican brands have well-developed national distribution networks and are well positioned in the market and enjoy high brand awareness with consumers, which are very loyal, despite economic variations.

Still, since a new class of Mexican consumers is demanding products that are healthy, convenient, and innovative, food processors are adjusting to these new demands and seek innovative inputs or, in some cases, establish business relationships with foreign food processors in order to exchange technological innovation for their knowledge of the market. Although the majority of the food processing sector in Mexico is dominated by multinational (both domestic and foreign) corporations, there is a large and growing opportunity for small to medium companies to participate in this industry.

A more complete and exhaustive analysis of the food processing sector is available in our Food Processing Ingredients Report, available at our Global Agricultural Information Network: <http://gain.fas.usda.gov/Pages/Default.aspx>

### SECTION IV. BEST HIGH VALUE PRODUCT PROSPECTS

U.S. consumer-ready exports to Mexico have grown with record sales across many product categories such as poultry meat, dairy, fresh vegetables, processed fruit and vegetables, breakfast cereals and mixes, processed meat, wine, and beer. In some cases (like wine, food preparations, and beef), specialists and industry contacts note that these markets can still grow larger, creating additional opportunities for U.S. exporters. See table below:

Product category	2013 market size (Value of sales, in million USD) /1	2013 U.S. imports (in million USD) /2	5-yr. avg. annual import growth (%) /2	Import tariff rate /3	Key constraints over market development	Market attractiveness for USA
Meat [Bovine]	\$ n/a	\$1,111.30	4%	0	Lack of market access for some meat products, like ground beef.	
Meat [Swine]	\$ n/a	\$1,377.01	13%	0	Constant pressure from domestic	

					producers, claiming unfair trade practices.	
Poultry meat	\$ n/a	\$1,156.77	16%	0	Antidumping resolution is currently on hold by Mexican authorities	Chicken is the meat most consumed by Mexicans, mainly due to price.
Milk powder	\$1,095.07	\$727.78	27%	0	Pressure from local producers to have additional regulation on milk and milk powder.	
Cheese	\$4,532.10	\$315.31	23%	0	Because of high prices, a large segment of families cannot afford cheese in their diet.	Healthy eating trends create opportunities for cheese, especially for low-fat, calcium-enriched and lactose-free products.
Fresh apples	\$2,596.15	\$336.41	17%	0	Constant pressure from domestic producers, claiming unfair trade practices.	Awareness and maturity of the market creates an opportunity for non-traditional varieties. Healthy-eating promotional campaigns indirectly benefit U.S. fresh produce.
Bakery goods (bread, cakes, pastry, cookies, etc.)	\$25,510.00	\$172.06	13%	0	Might be affected by the recent 8% tax on "junk food"	Perceptions of "healthy eating" affect this category. Companies are including low-calorie or vitamin-enriched varieties and using more dried fruits as ingredients.
Sauces	\$3,805.50	\$150.57	3%	0	Cultural barriers might affect sauces that try to substitute traditional Mexican recipes.	Opportunities created for private label and innovative flavors to a more knowledgeable consumer.
Soups	\$164.00	\$195.89	9%	0		Opportunities created for new, innovative flavors/ingredients.
Ready-to-eat meals	\$357.90	\$464.14	8%	0		Ready meals more popular due to the demand for convenient inexpensive foods.
Wine	\$1,767.50	\$13.66	16%	0	A special tax (IEPS) for alcoholic beverages ranges from 26.5% to 53%, depending on the alcohol volume.	Wine consumption both in restaurants and at homes is growing fast.
Beer	\$23,870.00	\$144.56	11%	0	A special tax (IEPS) for beer is set at 26.5%.	Consumer awareness creates a niche for "specialty" beer. Women are emerging consumers.

/1 Source: Euromonitor, SIAP, GTA, INEGI, industry sources and Post analysis

/2 Source: USDA/FAS BICO Report, GTA and Post analysis

/3 Source: Secretariat of Economy ([www.economia.gob.mx](http://www.economia.gob.mx))

## SECTION V. KEY CONTACTS AND FURTHER INFORMATION

The primary mission of the U.S. Agricultural Trade Offices (ATO) in Mexico City and Monterrey is to assist in the market development and promotion of U.S. food and agricultural products in the Mexican market. There are a wide variety of activities and services that the ATOs, along with other



Consumer Oriented, Total	10,201.04	10,671.60	11,898.24	7,393.88	8,110.43	9,218.89	72%	76%	77%
- Snack foods (excl. nuts)	604.61	620.75	661.56	386.65	389.37	428.23	64%	63%	65%
- Breakfast cereals / Pancake mix	65.12	63.07	66.04	51.37	51.37	55.61	79%	81%	84%
- Red meats, fresh / chilled / frozen	2,317.42	2,312.20	2,585.57	2,004.74	2,044.02	2,272.22	87%	88%	88%
- Red meats, prepared / preserved	283.91	297.41	344.74	250.93	264.39	305.39	88%	89%	89%
- Poultry meat	976.61	1,099.17	1,218.59	919.49	1,043.47	1,156.78	94%	95%	95%
- Dairy products (excl. cheese)	1,438.03	1,342.46	1,462.38	897.03	911.26	1,054.82	62%	68%	72%
- Cheese	342.46	377.55	428.85	203.32	261.04	315.31	59%	69%	74%
- Eggs & related products	55.06	93.65	228.80	54.75	93.18	224.19	99%	99%	98%
- Fresh fruits	545.84	681.87	754.38	439.81	581.89	653.94	81%	85%	87%
- Fresh vegetables	176.89	156.27	179.48	144.92	134.34	149.82	82%	86%	83%
- Fruit & vegetable juices	87.11	76.17	80.78	51.10	47.67	44.68	59%	63%	55%
- Processed fruit and vegetables	711.33	709.92	803.22	392.27	429.53	495.92	55%	61%	62%
- Tree nuts	153.45	177.54	176.63	136.05	164.58	160.29	89%	93%	91%
- Wine & beer	307.26	321.87	374.82	117.13	125.26	158.74	38%	39%	42%
- Nursery products & cut flowers	105.76	107.90	115.26	52.83	60.53	67.07	50%	56%	58%
- Pet foods (dog & cat food)	54.66	70.45	89.89	44.72	59.73	73.02	82%	85%	81%
- Other consumer-oriented products	1,955.51	2,132.79	2,275.93	1,226.76	1,418.32	1,551.64	63%	67%	68%
Fish and Seafood, Total	600.79	634.30	765.78	59.14	75.93	62.79	10%	12%	8%
- Salmon	9.23	8.91	11.64	3.41	1.90	4.59	37%	21%	39%
- Crustaceans	118.44	119.73	216.26	9.09	8.65	7.36	8%	7%	3%
- Groundfish & flatfish	31.88	25.15	36.10	0.40	0.77	0.68	1%	3%	1%
- Mollusks	21.54	20.87	21.45	2.51	2.58	3.42	12%	12%	16%
- Other fishery products	419.70	459.63	480.33	43.73	62.02	46.73	10%	13%	10%

Source: Global Trade Atlas

Table C. Top 15 Suppliers of Consumer Foods & Edible Fishery Products

C1. Mexico, Top 15 Suppliers of Consumer Oriented Agricultural (value in million USD)

2011		2012		2013	
United States	7,393.88	United States	8,110.43	United States	9,218.89
Chile	515.37	Chile	453.39	Chile	480.37
Canada	461.22	Canada	430.32	Canada	477.37
New Zealand	375.20	New Zealand	264.48	New Zealand	300.28
Spain	136.19	Spain	177.02	Spain	158.50
Argentina	134.85	Netherlands	118.27	Netherlands	128.84
Uruguay	119.97	Argentina	103.05	France	109.34
Netherlands	104.61	France	99.24	Italy	105.17
China	96.53	Italy	97.65	Argentina	94.90
France	95.20	Uruguay	84.50	China	73.97
Ireland	83.66	Germany	76.89	Germany	73.89
Germany	73.31	China	72.41	Uruguay	69.50
Italy	71.17	Sri Lanka	64.10	Sri Lanka	62.72
Sri Lanka	63.42	Ireland	55.11	Ireland	57.36
Denmark	43.73	Guatemala	46.89	Guatemala	45.88
Rest of the World	432.70	Rest of the World	417.85	Rest of the World	441.26
<b>TOTAL</b>	<b>8,946.99</b>	<b>TOTAL</b>	<b>10,671.60</b>	<b>TOTAL</b>	<b>11,898.24</b>

Source: Global Trade Atlas

C2. Mexico, Top 15 Suppliers of Fish and Seafood Products (value in million USD)

2011		2012		2013	
China	226.09	China	194.54	China	279.52
Vietnam	102.77	Vietnam	114.60	Vietnam	110.47
United States	59.14	United States	75.93	Chile	76.11
Chile	49.82	Chile	56.83	United States	62.79
Norway	20.09	Honduras	26.17	Honduras	42.58
Spain	12.71	Norway	20.20	Guatemala	30.18
Guatemala	12.41	Guatemala	18.59	Nicaragua	24.04
Peru	11.64	Taiwan	16.73	Ecuador	17.25
Honduras	10.73	Spain	14.28	Norway	16.99
Marshall Is.	10.28	Marshall Is.	13.16	Spain	14.55
Vanuatu	8.46	Peru	8.03	El Salvador	11.71
Nicaragua	8.25	Kiribati	7.53	Peru	8.39
Taiwan	7.51	Vanuatu	6.55	Belize	7.59
South Korea	7.31	Venezuela	5.99	Indonesia	6.53
Japan	5.84	Indonesia	5.26	Thailand	6.43
Rest of the World	47.74	Rest of the World	49.88	Rest of the World	50.65
<b>TOTAL</b>	<b>600.79</b>	<b>TOTAL</b>	<b>634.30</b>	<b>TOTAL</b>	<b>765.78</b>

Source: Global Trade Atlas

ADDITIONAL INFORMATION

**FAS/Mexico Web Site:** We are available at: <http://www.mexico-usda.com> or visit the FAS headquarters' home page at: <http://www.fas.usda.gov> for a complete selection of FAS worldwide agricultural reporting.

**Useful Mexican Web Sites:** Mexico's equivalent to the U.S. Department of Agriculture (SAGARPA) can be found at <http://www.sagarpa.gob.mx> and Mexico's equivalent to the U.S. Department of Commerce (SE) can be found at <http://www.economia.gob.mx>. These web sites are mentioned for the readers' convenience but USDA does NOT in any way endorse, guarantee the accuracy of, or necessarily concur with, the information contained on the mentioned sites.